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Message Text

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42
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W
---------- 060379
O R 091810Z MAR 76
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 4417
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 2073

EXDIS

PASS TREASURY FOR PETER SUCHMAN

E.O.11652: GDS
TAGS: ETRD, BR
SUBJECT: COUNTERVAILING DUTIES

REF: STATE 53429

1. SUMMARY: TREASURY DEPUTY ASSISTANT SECRETARY SUCHMAN'S LETTER TO FRANCISCO DORNELLES OF FINANCE MINISTRY (REFTEL) WAS DELIVERED LATE AFTERNOON MARCH 8. DORNELLES AGREES TO SUGGESTED PRELIMINARY MEETING WITH TREASURY ASST. SEC. MCDONALD AND SUCHMAN. HE REQUESTS, HOWEVER, THAT SUCH MEETING BE COMPLETELY PRIVATE, INFORMAL AND OUTSIDE FRAMEWORK OF SUB-GROUP MEETINGS. HE SUGGESTS SATURDAY MORNING, MARCH 13, FOR SUCH AN ENCOUNTER. EMBASSY SUGGESTS THAT TIMING BE WORKED OUT DIRECTLY WITH DORNELLES BY SUCHMAN DURING COURSE OF SUB-GROUP MEETINGS. EMBASSY RECOMMENDS THAT DORNELLES' DESIRE FOR PRIVATE MEETING BE REQUESTED. END SUMMARY.

2. LETTER FROM DEPUTY ASSISTANT SECRETARY OF THE TREASURY PETER SUCHMAN TO FRANCISCO DORNELLES WAS DELIVERED LATE AFTERNOON YESTERDAY (MARCH 8). UPON DORNELLES' RETURN TO BRASILIA FROM BRIEF STAY IN RIO FOR CARNAVAL.
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3. DORNELLES, WHO HAD ALREADY BEEN INFORMED BY
TELEPHONE FRIDAY, MARCH 5, ABOUT THE DESIRABILITY OF
A PRELIMINARY MEETING WITH ASSISTANT SECRETARY OF
TREASURY MCDONALD AND SUCHMAN IN WASHINGTON IN LIGHT
OF PENDING VISIT OF BRAZIL BY SECRETARY SIMON, THOUGHT
THE IDEA OF HAVING SUCH A MEETING WAS EXCELLENT. IN
FACT, HE SAID THAT THE WAS PLANNING TO CALL TO ASCERTAIN
THE POSSIBILITY OF MEETING WITH TREASURY OFFICIALS
OUTSIDE THE FRAMEWORK OF THE SUB-GROUP. HE SAID HE
HAD RECEIVED A SPECIFIC MANDATE FROM FINANCE MINISTER
SIMONSEN TO FOLLOW UP ON THE MINISTER'S PROPOSAL ON THE ISSUE OF
COUNTERVAILING DUTIES MADE TO SECRETARY KISSINGER DURING LATTER'S
VISIT TO BRASILIA. DORNELLES CLAIMED THAT SIMONSEN HAD ASKED
HIM TO TRY TO SEE SECRETARY SIMON DIRECTLY BUT BELIEVE A MEETING
WITH THE "EXPOERTS" WOULD BE MORE APPROPRIATE.

4. DORNELLES' ONLY CONDITION FOR SUCH A MEETING WITH
MCDONALD AND SUCHMAN IS THAT IT BE COMPLETELY PRIVATE,
INFORMAL, AND OUSIDE FRAMEWORK OF THE SUB-GROUP.
HE GAVE TWO REASONS FOR THIS: (A) HE DID NOT WISH
TO HAVE OTHER MINISTRY REPRESENTATIVES ATTEND: (HE
WOULD PROBABLY BE ACCOMPANIED BY A COLLEAGUE FROM
THE FINANCE MINISTRY) AND (B) HE WANTED TO HAVE A
FRANK EXCHANGE ON WHAT MEASURES WOULD BE ACCEPTABLE
TO TREASURY WHICH WOULD ASOLVE THE PROBLEM OF COUNTERVAILING
DUTIES. EMBASSY RECOMMENDS THAT, IN ORDER
TO PROTECT APPARENTLY MORE COOPERATIVE FINANCE
MINISTRY FORM POSSIBLE NEGATIVE ATTITUDES OF FOREIGN
MINISTRY, DORNELLES' WISHES IN THIS REGARD BE RESPECTED
AND THAT THE MEETING BE KEPT LIMITED TO TREASURY
OFFICIALS AND DORNELLES, WITH TREASURY FURNISHING
FULL READOUT TO DEPARTMENT AND EMBASSY.

5. IN ORDER TO STRESS THE SEPARATNESS AND THE
INFORMALITY OF SUCH AMEETING. DORNELLES WOULD LIKE
TO MEET WITH MCDONALD AND SUCHMAN EARLY SATURDAY
MRONING, MARCH 13, AFTER THE SUB-GROUP MEETINGS
ARE OVER. WE SUGGEST THAT SUCHMAN WORK OUT THE
DETAILS OF SUCH A MEETING DIRECTLY WITH DORNELLES
DURING THE SUB-GROUP MEETINGS. DORNELLES ALSO STATED
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THAT HE IS NOT PREPARED TO DISCUSS THE SOMONSEN PROPOSAL
IN THE SUB-GROUP. SHOULD THE ISSUE ARISE WITHIN THE
GENERAL MEETINGS, HE WOULD TAKE THE POSITION THAT THE
IDEA IS NOT YET RIPE FOR A GENERAL DISCUSSION. EMBASSY
RECOMMENDS, THEREFORE, THAT THIS TOPIC BE RAISED BY
OUR SIDEONLY IN A VERY GENERAL WAY AND PERHAPS
NOT AT ALL, GIVEN GOB SENSITIVEITIES.

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6. DURING THE MEETING DORNELLES SHOWED A DOCUMENT
STAMPED CONFIDENTIAL TO FINATT SUPPOSEDLY OUTLINING
IN DETAIL SIMONSEN'S IDEAS. HE WOULD NOT GIVE
FINATT COPY, SAYING THAT ONLY THREE SUCH COPIES
EXISTED, ONE FOR SIMONSEN, ONE FOR REIS VELLOSO,
AND ONE FOR HIMSELF. THE EXISTENCE OF SUCH A
DOCUMENT IS IMPORTANT FOR IT SHOWS THAT SOME
ADDITIONAL WORK HAS BEEN DONE ON SIMONSEN'S PROPOSAL.

7. DORNELLES CLAIMED THAT SIMONSEN'S SCHEME AS PROPOSED TO SECRETARY
KISSINGER RAISES SOME KNOTTY LEGAL PROBLEMS FOR BRAZIL, MAY
HAVE BEEN PREMATURELY PRESENTED, AND PERHAPS MAY
EVEN HAVE RAISED FALSE EXPECTATIONS. DORNELLES
CLAIMED THAT THE MINISTER HAD NOT DISCUSSED THE
SCHEME WITH HIM BEFORE PRESENTING IT TO SECRETARY
KISSINGER. (COMMENT: WE CAN CONFIRM THAT IT WAS
TRARY PINTO OF THE FINANCE MINISTRY WHO SUGGESTED TO SIMONSEN THAT
HE EXPLORE WAYS OF SOLVING THE COUNTERVAILING DUTY ISSUE. PINTO
DISCUSSED THIS GENERAL APPROACH WITH FINATT THE DAY
BEFORE THE SECRETARY'S ARRIVAL). WHEN FINATT TRIED
TO PROBE DORNELLES ABOUT HIS VIEWS AS TO THE BEST
POSSIBLE WAY TO PROCEED HE DID NOT SEEM TO HAVE VERY DEFINITE IDEAS.
HE DID SAY, HOWEVER, THAT PERHAPS A VIABLE SOLUTION WOULD BE
A SYSTEM OF MULTIPLE EXCHANGE RATES FOR TRADE TRANSACTIONS.
CRIMMINS

NOTE BY OC/T: NOT PASSED TREASURY.

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